

Worksheet for Scholarship and Fellowship Income From IRS Publication 520

1.	Enter your scholarship or fellowship income	1.	___	
	<ul style="list-style-type: none"> • If you are a degree candidate, go to line 2. • If you are not a degree candidate, stop here. The entire amount is taxable. See <i>Reporting Scholarships and Fellowships</i> for how to report this amount on your tax return. 			
2.	Enter the amount from line 1 that was for teaching, research, or any other services (Do not include amounts received for these items under the National Health Services Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program.)	2.	___	
3.	Subtract line 2 from line 1	3.	___	
4.	Enter the amount from line 1 (except any amount entered on line 2) used for tuition and course-related fees, books, supplies, and equipment required for study at an educational institution	4.	___	
5.	Subtract line 4 from line 3	5.	___	
6.	Taxable part. Add line 2 and line 5. See <i>Reporting Scholarships and Fellowships</i> for how to report this amount on your tax return	6.	___	

Other Tax Rules of Interest to Students

Credits

Hope Tax Credit: Graduate students do not qualify for this credit since it relates to qualified expenses for the first two years of a post-secondary education or training.

Lifetime Learning Credit: For graduate students, a per-taxpayer credit of 20% of the first \$5,000 in tuition and fees through 2002 (\$1,000 maximum credit). This amount increases to 20% of the first \$10,000 after 2002 (\$2,000 maximum credit). The credit is phased out for joint filers between \$80,000 and \$100,000 of income, and for single filers between \$40,000 and \$50,000. The credit is claimed on federal Form 8863 and shown on line 48 of Form 1040.

Deductions

Deduction for Certain Qualified Postsecondary Education Expenses: Graduate students may be able to take an “above-the-line” deduction (Form 1040, line 26) for qualified tuition and fees. The deduction is limited to \$3,000 for taxpayers whose adjusted gross income for 2002 or 2003 does not exceed \$65,000. No deduction is allowed if the taxpayer’s adjusted gross income exceeds \$65,000. In addition, no deduction can be taken if the Lifetime Learning Credit is elected.

Student Loan Interest Deduction: Interest paid in the first 60 months of repayment on loans for post-secondary education and training expenses is tax-deductible. It is an “above-the-line” deduction (Form 1040, line 25). The maximum deduction for 2001 and beyond is \$2,500 per year. This benefit is phased out for joint filers with incomes between \$60,000 and \$75,000 and for single filers with incomes between \$40,000 and \$55,000.